

METAL BULLETIN PLC PENSION SCHEME IMPLEMENTATION STATEMENT

September 2021

This is the second Implementation Statement produced by the Trustees of the Metal Bulletin PLC Pension Scheme (“the Scheme”). It relates to the Scheme year ended 31 May 2021, over which period the 2020 Statement of Investment Principles (“SIP”) was put in place in October 2020. This Implementation Statement is assessed against that SIP. A new SIP was signed in June 2021, reflecting change to investment strategy but not ESG or stewardship.

The policy is to provide information on activity through the year and how that fits with Trustee policies and beliefs, particularly with regard to voting and ESG.

For this statement, the Trustees have been receiving information from their advisers in respect of portfolio activity some of which may not yet be available for disclosure. However, the Trustees confirm that in their opinion both the stewardship and engagement policies as set out in the 2020 SIP were followed during the Scheme year ended 31 May 2021. Details of how and the extent to which this was achieved are included in the assessment below. The stewardship and engagement policies were included in the following part of the 2020 SIP:

“As part of their fund research process, the investment adviser will consider each underlying fund manager’s approach to environmental, social and governance (ESG) issues. Whilst this does not restrict the portfolio to managers who have strong ESG principles, it will form part of the selection process. From June 2019, fund diligence reports produced by the investment adviser will have a section dedicated to ESG, which the Trustees can review. The Trustees do not have the necessary skills to vote or engage individually with the companies in which they invest through their fund managers. They also recognise that by investing via pooled funds they are unable to influence the underlying securities in which their fund managers invest. Therefore the day to day social, environmental and ethical investment decisions are delegated to their fund managers. Should the Trustees or their advisers be called on to vote on a particular matter, they will do so in the best interests of the Scheme’s members.”

Voting behaviour is relevant to part of the portfolio, as described below. The Trustees accept and adopt Schroders’ report of the most significant votes. Where votes are not relevant, engagement remains appropriate and is described below.

Statement of Investment Principles

Policy	Review	Actions
SIP reviewed on significant events and no less frequent than triennially.	SIP was reviewed and updated in Q2/Q3 2021.	N/A

Investment Strategy

Policy	Review	Actions
Derisking strategy now agreed	During the year the trustees have gone through an actuarial valuation process which resulted in a new valuation basis which will prescribe a derisking plan as part of the best estimate asset return assumptions.	The scheme's assets are now being rebalanced in line with the new strategy.

ESG Policy

Policy	Review	Actions
Policy reviewed at least annually	A policy was agreed in 2019 and updated in 2020. Policy was reviewed by investment consultant in 2021 and noted as still being appropriate	N/A
Engagement with Euromoney (Sponsor)	There were no changes to policy and no further engagement has been had around the ESG policy.	Engage with Sponsor in 2021
Reporting on ESG implementation and developments	The Trustees' advisers have included ESG manager reviews in their quarterly reports and introduced a scoring system for each manager.	N/A

Engagement with Fund Managers

It should be noted that all investments are via pooled funds and the consultant supplies ESG information in quarterly reports, accordingly, the policy was followed. No new fund searches were undertaken at a portfolio level but any new mandate will consider ESG as part of the process.

Policy	Review	Actions
Managers are appointed for the long term	Managers are reviewed monthly by the investment adviser and quarterly by the trustees. During the audit period, no new managers were added to the portfolio. As part of the review process the Trustees continued to consider ESG and stewardship in the quarterly reporting and ESG issues were raised by the investment adviser as needed, therefore the 2020 policy was followed.	N/A
Annual review of ESG and climate change	All fund managers in the portfolio have been asked to respond on the impact of a 2 degree rise in global temperatures on their portfolio and their integration of ESG into their investment processes. Whilst all managers responded, not all were able to give a full response on the impact of a 2 degree temperature rise, given the complex nature of this question. We expect more correspondence on how fund managers are considering the Task Force on Climate-related Financial Disclosures' (TCFD) impact on portfolio companies. All of the scheme's managers now consider ESG factors in the investment process, albeit with different approaches. Furthermore, many managers are looking to add to, or strengthen, existing ESG policies as appropriate. It was noted that some sub-investment strategies are not conducive to ESG integration or stewardship. Examples of the policies of some of the managers are detailed below. <u>LDI</u> <u>BMO</u>	Many managers are still considering how best to show the impact of climate change on portfolios at a granular level. Further work will be done on this and reported back. Further work will be done on this, including with respect to TCFD, and reported back. Within broader ESG, continued work on integration and consultant ratings will be undertaken.

	The LDI provider, BMO, gave a thorough response on ESG. ESG is considered in all of their vehicles. In relation to the LDI funds, BMO monitor counterparties on ESG “as a relevant risk factor” and “engage with their counterparty banks on an ongoing basis on ESG specific topics”. <u>Schroders</u> Schroders have provided detailed information on their policy and voting practices, including on climate change. They also set out detail in the quarterly investment reports. The manager assigns either a ‘screened’, ‘integrated’ or ‘sustainable’ rating to their funds. The former refers to funds that screen out exposure to cluster munitions, anti-personnel mines and biological and chemical weapons. Funds that fall under the ‘integrated’ category must systematically consider ESG factors as part of their fundamental analysis. Analysis of ESG factors must be clearly evidenced. Managers of ‘sustainable’ funds must ensure that portfolio companies are best-in-class and the most sustainable companies possible, therefore ensuring that sustainability is a cornerstone of the investment process. The system is not mutually exclusive, meaning a fund may fall under more than one category. When focussing specifically on the Schroders All Maturities Corporate Bond Fund, ESG is heavily integrated into the research process as a risk factor, but also as a potential driver of investment opportunities. The manager seeks to invest in companies that are ‘sustainability leaders’ whilst excluding companies that are deemed to have materially negative social values.	
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Growth

Ormonde Multi Asset Fund

The core growth holding, the Ormonde Multi Asset Fund (MAF) has continued to integrate ESG into the investment process. Ormonde as the fund manager believe ESG is an important risk factor and furthermore can create investment opportunities.

The MAF is predominantly invested in other pooled funds. Therefore, the manager's focus has been on understanding the approach to ESG for those underlying positions and engaging with them where there is scope for improvement.

Across the underlying investment funds in the MAF most funds have some level of ESG policy, with a number of funds such as the RM Alternative Income Fund fully integrating ESG into the research process. Furthermore one strategy, Trium ESG, has a thematic ESG investment philosophy where ESG factors are seen as an opportunity to generate strong returns whilst making a positive impact. Other strategies such as Laurion and Selwood, for example, invest predominantly in derivatives and therefore ESG factors are less of a risk to the strategies and more difficult to integrate. Having said this the managers are looking at ways they can integrate ESG.

Of the underlying managers where an ESG policy is appropriate for the strategy, all managers consider ESG in some way with c.70% having a formal policy. The remaining managers are looking at how to formalise their approach into a policy.

Some underlying positions do not have an ESG policy given the type of strategy being run. Ormonde accept that some

	strategies are not conducive to ESG integration at this time but continue to engage with the managers on ESG issues. As at the end of the audit period 18% of external managers fit into this category accounting for 10% of MAF assets. In addition, where Ormonde are unable to engage or influence a strategy, such as passive investment strategies, but where there are “ESG” options available Ormonde may look to invest in these, provided this does not negatively impact from a risk reward perspective. The Fund maintained its allocation to ESG screened equity ETFs during the period Just after the accounting period Ormonde redeemed from one of the underlying managers in the portfolio. ESG was a factor in this redemption. <u>Schroders</u> Schroders have provided detailed information on their policy and voting practices, including on climate change. They also set out detail in the quarterly investment reports. The manager assigns either a ‘screened’, ‘integrated’ or ‘sustainable’ rating to their funds. The former refers to funds that screen out exposure to cluster munitions, anti-personnel mines and biological and chemical weapons. Funds that fall under the ‘integrated’ category must systematically consider ESG factors as part of their fundamental analysis. Analysis of ESG factors must be clearly evidenced. Managers of ‘sustainable’ funds must ensure that portfolio companies are best-in-class and the most sustainable companies possible, therefore ensuring that sustainability is a cornerstone of the investment process. The system is not mutually exclusive, meaning a fund may fall under more than one category.	
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	They have a thematic focus on companies involved in clean energy systems, investing in line with the transition to lower carbon. More recently Schroders have adjusted their 30 year asset class return and risk forecasts to allow for the impact of climate change based on the physical cost, transition cost and impact of stranded assets from rising temperatures. One conclusion is that warmer countries, which tend to be in emerging markets, will fare worse than cooler countries. Finally, Schroders has analysed company disclosures in line with the TCFD, which in turn is influencing their engagement process. When focussing specifically on the Schroders DGF the Fund was given an 'Integrated' Sustainability Accreditation meaning sustainability is a building block of the investment process.	
Incentivisation of managers with respect to ESG	The investment in pooled funds is restricting this but the Trustees' advisers are looking at this as part of the industry wide work being done. Generally during the audit period, fund managers have improved transparency and further integrated ESG. More progress is still needed on these issues.	Continue to monitor
Fund costs to be reviewed	All fund managers have been asked to report on fund costs and the investment adviser is collating the information. Given some exposure to partnership structures the running costs are difficult to assess.	Continue to push managers on fund costs and transparency

Stewardship Policy: Voting and Engagement

All investments are made using pooled funds with equities being held in the Ormonde Multi-Asset Fund (“the MAF”) via ETF’s or third party funds or in the Schroders DGF through allocations to internal strategies. The Trustees therefore do not vote or engage directly with underlying investments nor do they use voting proxy services but they do engage with their managers via their advisers on these subjects. There was no opportunity for the Trustee to engage in direct voting during the period.

Policy	Review	Actions
Managers are expected to engage and influence the companies in which they invest.	The Trustees recognise that fund managers engagement with their investee companies is critical and voting against a policy is a last resort. Therefore, engagement is monitored above voting however, all managers have been asked to report on their stewardship and voting activity. Many of the funds have been able to produce information on this, and we are working with those who are less able to provide relevant information, whether it be due to the underlying strategy, or because that information is yet to be made publicly available. Managers have responded on their engagement and voting activity, although given the nature of most of the portfolio there is limited voting data at this stage. <u>LDI</u> <u>BMO</u> Whilst the scheme’s holding with BMO does not use equities and therefore typical voting and engagement is less relevant, BMO do engage with the counterparties used in their LDI funds. <u>Schroders</u> Where voting rights arise in credit instruments Schroders will exercise their right to vote. Overall, the manager will look to vote in line with fiduciary responsibilities. Schroders will also, where appropriate engage directly with bond issuers within the fund.	Continue to monitor and assess the voting and engagement activities. Push for more transparency on voting activity at underlying Ormonde MAF position level.

Growth

Ormonde Multi Asset Fund

The majority of voting and engagement activity is carried out within the MAF's sub funds. The MAF invests into a number of underlying funds including activist and ESG focused funds, where engagement is a key element of the investment thesis.

Examples of such activity include:

Trium ESG Emissions Impact Fund: In the first quarter of 2021, the Portfolio Manager (PM) met the CEO and operations team of Ferrexpo, a producer of iron ore pellets used to lower the downstream emissions of steelmaking. After two years of engagement with the management team, the business saw material improvement in 2020, reducing emissions by 16% through energy efficiency and increased utilisation of biofuels. The company is targeting additional emissions reductions in 2021 while increasing production by roughly 8%.

RM Alternative Income Funds: Throughout the second half of 2020, RM Funds pushed for a real estate manager, which they are invested in, to add wind power generation to the solar they already have in place. Elsewhere, they continue to engage on resident and staff safety on their healthcare related positions.

Gatemoore Special Opportunities Fund: As per the strategy, the team engaged with the management of their largest position on several occasions over the last 12 months. One of the main topics what changes the business can make to ensure they are operating in an environmentally sustainable manner. To that end, they discussed electrifying their fleet of delivery vehicles.

	The business are actively working to replace their growing fleet with electric vehicles and have made good progress. All voting is carried out by the funds underlying investment managers, all of which vote in line with their fiduciary responsibilities to clients. Accordingly there were no significant votes within the MAF itself. At present there is limited data provided by some of the underlying managers and Ormonde are engaging with managers to improve voting transparency. Of the responses received, almost all voting activity was in line with the company boards. Most managers prefer to engage with companies prior to voting on any resolutions which then makes voting in line with the board more likely. It is noted that for some underlying strategies it is not possible to perform typical stewardship, usually due to the instruments being held (derivatives or index exposure), or the frequency of trading in those instruments, or both. This applies to c.10% of the MAF portfolio via underlying active managers, plus a further 10% of passive exposure. Within the MAF, managers are reviewed on at least a monthly basis, with fuller reviews on a quarterly basis and a further diligence update each year. <u>Schroders Diversified Growth Fund</u> Overall, the manager will look to vote in line with fiduciary responsibilities.	
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	Where appropriate, Schroder will also engage directly with portfolio companies across their underlying strategies in the DGF. They will typically engage for one of three reasons: - Seek improvement in performance and process to enhance value - Monitor ESG practices, business strategy and financial performance - Enhance analysis of risks and opportunities This is typically done via - One-to-one meetings - Written correspondence - Phone calls - Discussions with company advisers - Voting - Collective engagement with other investors Schroders Diversified Growth Fund The manager undertook 885 engagements with management teams, discussing 1477 topics, of which 51% concerned governance, 18% were on social factors, and 32% were on the environmental aspect of the business. Climate change, remuneration, corporate strategy, board structure, and transparency were the top 5 engagement topics over the 12 months to 30th June. The below table details voting carried out in the 12 months to 30th June 2021. <table><tr><td>Voting</td><td></td></tr></table>	Voting		
Voting				

	Number of meetings where Schroders had legal right to vote	2007	
	Number of resolutions voted on	23805	
	Number of resolutions voted for	21716	
	Number of resolutions voted against	1875	
	Number of resolutions abstained	142	